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Year: 2010

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## **Capacity building framework on high-quality corporate reporting**

Eberle, Reto ; et al

**Abstract:** High-quality corporate reporting is essential for a well-functioning market economy. In the wake of the financial crisis, policymakers at the highest level have been calling for improvements in this area. Member States need to develop a coherent approach to developing the capacity needed for achieving this objective. This paper presents key issues that need to be considered in building national capacity in this area. It discusses key elements of a capacity building framework. These are: legal and regulatory framework; institutional framework; human capacity; and the capacitybuilding process. It provides a variety of international, regional and national references and good practice examples. It is being presented for consideration by the twenty-seventh session of UNCTAD's Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR). The deliberations of the twenty-seventh session of ISAR are envisaged to culminate with guidance on this issue.

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ZORA URL: <https://doi.org/10.5167/uzh-62985>

Conference or Workshop Item

Originally published at:

Eberle, Reto; et al (2010). Capacity building framework on high-quality corporate reporting. In: Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, twenty-seventh session, Genf, 13 October 2010 - 15 October 2010, 1-21.



**United Nations Conference  
on Trade and Development**

Distr.: General  
20 August 2010

English only

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**Trade and Development Board**

**Investment, Enterprise and Development Commission**

Intergovernmental Working Group of Experts on

International Standards of Accounting and Reporting

Twenty-seventh session

Geneva, 13–15 October 2010

Item 3 of the provisional agenda

**Capacity-building framework for high-quality corporate  
reporting**

**Note by the UNCTAD secretariat**

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## Appendix I. Capacity-building framework for high-quality corporate reporting – matrix

Capacity framework					Performance measurement	Key questions for surveys
Pillar structure	Stages/checklist	Elements	International standards	Reference/guidance	Milestones & indicators	
<b>Legal and regulatory</b>	Accounting records  Internal controls/audit Prepare fin. statements  Approve fin. statements Audit Publication/filing Users, analysis Multi-reporting frameworks Monitoring, oversight, enforcement Requirements govt. enterprises & individuals	Regulation Fin/Non-Fin Statutory Framework  Endorsement of standards Enforcement  Monitoring Licensing Governance Ethics Compliance Investigation & discipline  Quality assurance	IOSCO  IFRS ISAs, IESs  XBRL Basil Comm. IAIS OECD Principles	UNCTAD SMEGA 3  OECD Principles EU Directives S.Ox and other similar national frameworks COSO Bank codes GRI World Bank ROSCs IIA  ICGN IIRC	See Appendix IV below	See Appendix IV below.
<b>Institutions/profession /stakeholders</b>	Roles and responsibilities  Coordination Governance  Sustainability Attraction & retention of talent	Legislative body  Ministries Regulators  Govt. Registries Prof. Accounting Orgs. Accounting/Audit firms stock exchanges preparer & user bodies, academia National and international standard-setters	-  ISAs, IESs CoE/Independence  A&A IFAC SMOs -	DNC toolkit AA1000AS NGO Sustainability Index	See Appendix IV below	See Appendix IV below.

Capacity framework					Performance measurement	Key questions for surveys
Pillar structure	Stages/checklist	Elements	International standards	Reference/guidance	Milestones & indicators	
<b>Human capacity</b>	<p>General education</p> <p>Professional education and training CPD Technical knowledge</p> <p>Specialized training</p>	<p>1. Recipients, i.e:</p> <p>auditors, preparers accounting technicians prof. analyst orgs regulators other users</p> <p>2. Providers universities prof. accounting orgs tuition providers</p>	<p>IAES IES</p> <p>SMO 2</p>	<p>Bologna</p> <p>Dublin UNCTAD-ISAR Model Curriculum EU Common Content IFAC Guide Accounting Techs</p>	<p>See Appendix IV below</p>	<p>See Appendix IV below.</p>
<b>Capacity-building</b>	<p>Diagnosis</p> <p>gap analysis</p> <p>Programme Monitoring</p>	<p>Strategy/Objectives</p> <p>Action plans &amp; resources</p> <p>coordination &amp; communication</p> <p>-</p>	<p>See appendix IV below.</p>	<p>IFAC Compliance Programme Action plans</p> <p>ROSC</p>	<p>See Appendix IV below</p> <p>Position Assessment Tool</p>	<p>See Appendix IV below.</p>

## Appendix II. Core standards and benchmarks

### 1. International standards and codes need to be addressed first:

- (a) IFRS;
- (b) IFRS for SMEs;
- (c) Accounting rules for micro enterprises (for example ISAR's accounting and reporting guidelines for level 3 SMEs or SMEGA Level 3);
- (d) IAASB Pronouncements;
- (e) IESBA Code of Professional Ethics;
- (f) ISQC 1;
- (g) IAESB IESs;
- (h) IFAC SMOs;
- (i) IFAC/DNC Guide to establishing and developing a professional body;
- (j) Other internationally accepted standards and guidance issued by bodies in countries where the accounting and auditing profession is well-developed and subject to independence and oversight, may also be helpful.

### 2. Some member States also need audit manuals for SMPs and practice monitoring manuals (these are usually not public documents). They also need curriculums and these usually have to be part of joint schemes or designed specially.

### 3. As member States progress the codes below may come into play:

- (a) OECD Principles of Corporate Governance;
- (b) International Corporate Governance Network code;
- (c) Global Reporting Initiative guidelines;
- (d) EU 8th Directive (primarily for countries wishing to join the EU or in transition);
- (e) Sarbanes Oxley legislation in the United States (primarily for those countries wishing to follow draw from the United States model, for example, the EU 8th Directive was influenced in part by Sarbanes Oxley);
- (f) IOSCO Objectives and Principles for Securities Regulation and related Assessment Methodology;
- (g) IOSCO Policy Statements and Reports on Financial Reporting, Auditing, Internal Controls, Auditor Oversight and Governance matters;
- (h) Stock Exchange regulations;
- (i) XBRL;
- (j) FSB framework;
- (k) Institute of Internal Auditors (IIA) standards;
- (l) USAID NGO sustainability index; and
- (m) AA 1000 Series of standards.

### 4. Other codes include:

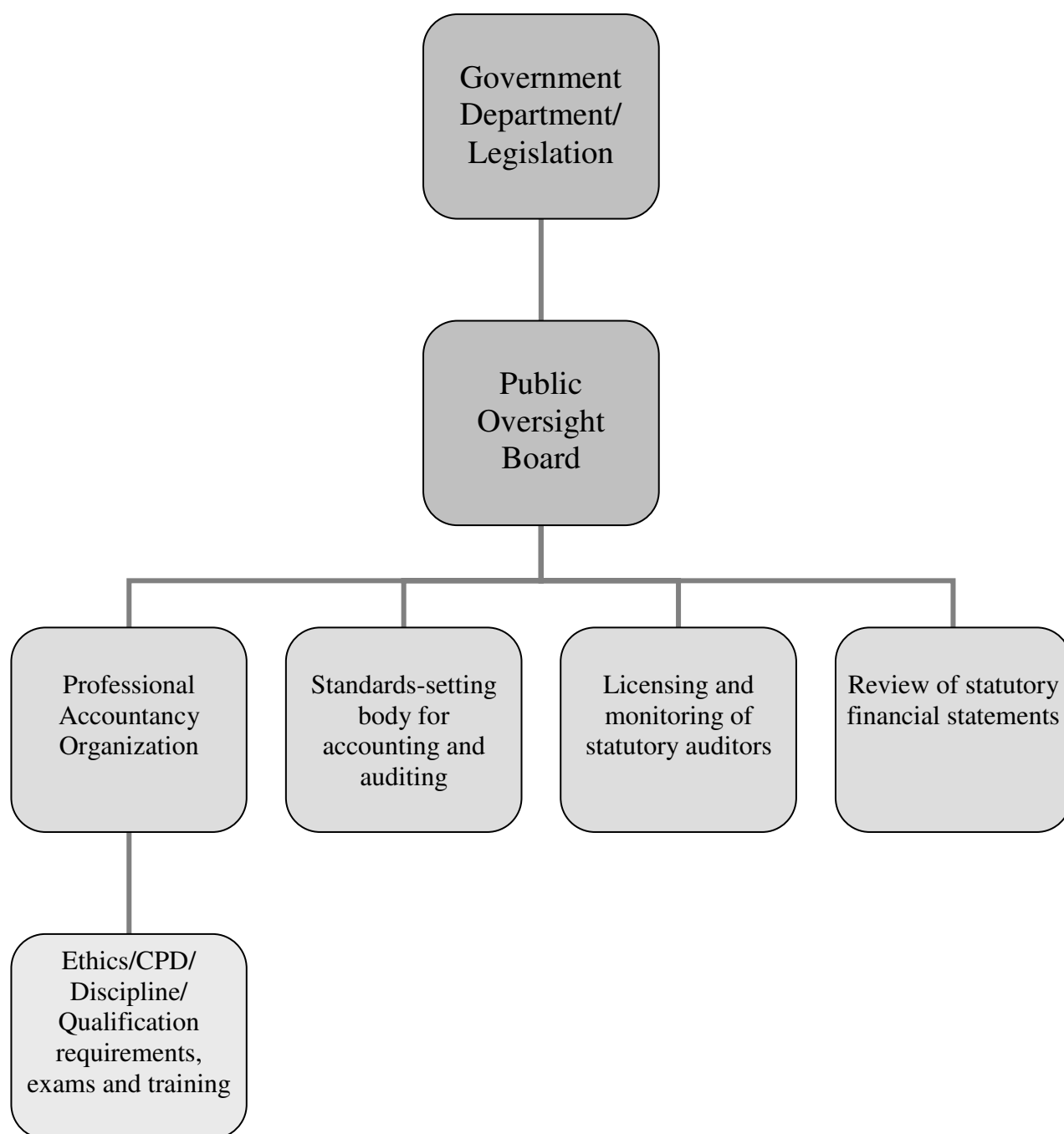
- (a) Relevant banking supervisory guidance and regulations, e.g. Basel standards;
- (b) IAIS standards;
- (c) COSO (Committee of Sponsoring Organizations of the Treadway Commission). In the United States COSO has established a common internal control model against which companies and organizations may assess their control systems;
- (d) IFIAR (International Forum of Independent Audit Regulators) projects;
- (e) EU Fair Value Directive;
- (f) Tax requirements; and
- (g) Audit Firms practices and manuals and other information and guidance.

### 5. Other education standards include:

- (a) Bologna agreement on the criteria for defining degrees at different levels;
- (b) Dublin descriptors which expand on the Bologna criteria;

- (c) NARIC (National Recognition Information Centre for the United Kingdom) part of ENICs (European Network of Information Centres) across Europe, including also Australia, Canada, New Zealand and the United States. NARIC provides information on the recognition of degrees at different levels;
- (d) World of Learning, which identifies recognised academic institutions;
- (e) UNCTAD/ISAR Model curriculum;
- (f) Common content project.

### Appendix III. Sample structure of a regulatory framework<sup>1</sup>



<sup>1</sup> The above example is based on a United Kingdom model. It is being presented here to facilitate understanding of a possible regulatory structure based on a practical example. There are several other suitable models that countries could consider when establishing a regulatory structure.



## Appendix IV. Performance measurement and key questions for surveys

Capacity-building Framework		Performance Measurement	Performance Measurement
Pillar structure	Elements	Milestones & Indicators	Key Questions for Surveys
<b>Legal &amp; regulatory Pillar 1</b>	Legislation, statutory and regulatory requirements for financial reporting	Accounting and Auditing Framework Private Sector Accounting Framework (IFRS)	<ul style="list-style-type: none"> <li>- Existence and function of a private sector accounting and auditing framework?</li> <li>- Standards required for private sector accounting? (IFRS)</li> </ul>
	Legislation, statutory and regulatory requirements for non-financial reporting	Non-financial Reporting Framework Corporate Governance for PIEs	<ul style="list-style-type: none"> <li>- Requirements for environmental, social and governance disclosure based on international best practice guidance?</li> <li>- Existence and operation of a non-financial reporting framework?</li> </ul>
	Endorsement of standards Enforcement Monitoring	Endorsement Mechanisms  Private Sector Monitoring and Enforcement	<ul style="list-style-type: none"> <li>- Existence and function of endorsement mechanisms for international standards?</li> <li>- Existence and operation of public oversight?</li> <li>- Monitoring and enforcement of private sector accounting standards?</li> </ul>
	Licensing Ethics	Licensing Arrangements Code of Ethics	<ul style="list-style-type: none"> <li>- Licensing arrangements for accountants and/or auditors?</li> <li>- Existence and function of a code of ethics for accountants and auditors?</li> </ul>
	Compliance	Compliance Mechanisms	<ul style="list-style-type: none"> <li>- Responsibilities for enforcing regulatory requirements?</li> </ul>
	Investigation & discipline	Investigation and Discipline	<ul style="list-style-type: none"> <li>- Regulations for investigation, discipline and appeals?</li> </ul>
	Quality assurance	IAASB Standards and Pronouncements Quality Control	<ul style="list-style-type: none"> <li>- Operation of investigation, discipline and appeals?</li> <li>- Standards required for financial statement audits? (ISA)</li> </ul>

Capacity-building Framework		Performance Measurement	Performance Measurement
Pillar structure	Elements	Milestones & Indicators	Key Questions for Surveys
	Disclosure	To be included in row 1, Legislation	<ul style="list-style-type: none"> <li>- Standards required for assurance engagements? (ISAE)</li> <li>- Standards required for review engagements? (ISRE)</li> <li>- Standards required for related services? (ISRS)</li> <li>- Standards required for quality control? (ISQC1)</li> <li>- Requirements for quality control by audit firms?</li> <li>- Quality assurance requirements for accountants and auditors?</li> </ul>
<b>Institutions / profession/ stakeholders Pillar 2</b>	Legislative body	Statutory Responsibilities and Legal Status Sustainability of Government Institutions Regulation of Regulatory and Monitoring Bodies Sustainability of Professional Accounting Organizations	<ul style="list-style-type: none"> <li>- Statutory responsibilities and legal status of legislative bodies, ministries, regulatory bodies, regulators, government registries, professional accounting organizations, accounting and auditing firms?</li> <li>- Organizational capacity, financial viability, advocacy, service provision, recognition and public image of government institutions?</li> <li>- Regulations for and coordination among regulatory and monitoring bodies?</li> <li>- Relations between government authorities and professional bodies?</li> <li>- Regulations for audit monitoring bodies and review panels?</li> <li>- regulatory structure for professional accounting organisations?</li> <li>- Organizational capacity, financial viability, advocacy, service provision, recognition and public image of professional accountancy and auditing associations?</li> <li>- Existence and sustainability of general education providers?</li> </ul>
	Ministries	To be included in row 1, Legislative Body	
	Regulators	Regulatory and Monitoring Bodies (new)	
	Govt. Registries	To be included in row 1, Legislative Body	
	Prof. Accounting Orgs.	Professional Accounting and Auditing Organizations	
	Accounting / Audit firms stock exchanges preparer & user bodies Education and Training Providers (to include	To be included in row 1, Legislative Body Outside the scope of the Matrix for measurement purposes To be included in row 1, Legislative Body Education and Training Providers	

Capacity-building Framework		Performance Measurement	Performance Measurement
Pillar structure	Elements	Milestones & Indicators	Key Questions for Surveys
	universities, prof. accounting orgs and tuition providers}		<ul style="list-style-type: none"> <li>- Existence and sustainability of professional accountancy education providers?</li> <li>- Existence and sustainability of CPD providers?</li> <li>- Existence and sustainability of providers of practical training?</li> </ul>
<b>Human capacity Pillar 3</b>	<p>General education</p> <p>Professional education and training</p> <p>CPD</p> <p>Technical knowledge</p> <p>Specialized training</p> <p>Prof. Accounting Orgs</p> <p>Prof. Analyst Orgs.</p> <p>Tuition providers</p>	<p>Qualification, Education and Training of Accountants</p> <p>Qualification, Education and Training of Auditors</p> <p>Qualification, Education and Training of Accounting Technicians</p> <p>CPD for Accountants, Auditors and Accounting Technicians</p> <p>To be included in Pillar</p> <p>To be included in Pillar</p> <p>Outside the scope of the Matrix for measurement purposes</p> <p>To be included in Pillar</p>	<ul style="list-style-type: none"> <li>- Existence of training for accounting and reporting?</li> <li>- Entry requirements for professional accountancy education?</li> <li>- Content of accountancy education programs?</li> <li>- Professional skills in accountancy education?</li> <li>- Values, ethics and attitudes in accountancy education?</li> <li>- Assessment of accountancy capabilities and competences?</li> <li>- Practical experience requirements for professional accountants?</li> <li>- Qualification, education and training requirements for auditors?</li> <li>- Qualification, education and training requirements for accounting technicians?</li> <li>- Education, monitoring and discipline of continuing professional development requirements for professional accountants, auditors and accounting technicians?</li> <li>- Requirements and availability of training for regulators</li> </ul>
<b>Capacity Building</b>	<p>Strategy/Objectives</p> <p>Action plans &amp; resources</p> <p>coordination &amp; communication</p>	<p>Capacity-building has to be considered separate from Performance Measurement</p> <p>Position Assessment Tool</p>	Not applicable unless on a very general level

## Appendix V. List of members of the Consultative Group on capacity-building framework for high-quality corporate reporting <sup>2</sup>

International and regional organizations				
Gerald	<b>Edwards</b>	Senior Advisor Accounting & Auditing Policy	Financial Stability Board	Switzerland
Ian	<b>Ball</b>	CEO	International Federation of Accountants (IFAC)	United States of America
Gabriella	<b>Kusz</b>	Technical Advisor	International Federation of Accountants (IFAC)	United States of America
Olivier	<b>Boutellis-Taft</b>	Chief Executive	Fédération des Experts Comptables Européens (FEE)	Belgium
Jonathan	<b>Bravo</b>	General Secretariat	International Organization of Securities Commissions (IOSCO)	Spain
John	<b>Hegarty</b>	Head, Centre for Financial Reporting Reform	World Bank	Austria
Gradimir	<b>Radisic</b>	Centre for Financial Reporting Reform	World Bank	Austria
Grant	<b>Kirkpatrick</b>	Senior Economist	Organisation for Economic Cooperation and Development (OECD)	France
Samiuela	<b>Tukuafu</b>	Principal Financial Sector Specialist	Asian Development Bank (ADB)	Philippines
Wayne	<b>Upton</b>	Director of International Activities	International Accounting Standards Board (IASB)	United Kingdom
Michael	<b>Walsh</b>	Special Projects Consultant	ACCA Global	United Kingdom
Toby	<b>Moseley</b>	International Development Manager	ACCA Global	United Kingdom
Accounting profession				

<sup>2</sup> Italicized names indicate members who participated in the meeting of the Consultative Group that took place at the Palais des Nations in Geneva 20–22 May 2010.

Ganapathy	<b>Ramaswamy</b>	Vice-President	The Institute of Chartered Accountants of India (ICAI)	India
Dennis	<b>Brown</b>	Chair	Institute of Chartered Accountants of Jamaica (ICAJ)	Jamaica
Aziz	<b>Dièye</b>	Partner in Charge	Cabinet Aziz Dièye	Senegal
Oliver	<b>Köster</b>	Partner/German Certified Accountant, Tax Advisor, United States CPA	KPMG AG	Switzerland
Paul	<b>Hurks</b>	Director	Royal NIVRA	The Netherlands
Ewald	<b>Müller</b>	Senior Executive	South African Institute of Chartered Accountants (SAICA)	South Africa
David	<b>Phillips</b>	Senior Corporate Reporting Partner	PricewaterhouseCoopers LLP	United Kingdom
Christine	<b>Albrecht</b>	Senior Manager	Deloitte Touche Tohmatsu	United States of America
April	<b>Mackenzie</b>	Global Head, Public Policy and External Affairs	Grant Thornton International	United States of America
Susanna	<b>Di Felicianantonio</b>	Head of EU Public Affairs	Institute of Chartered Accountants in England and Wales (ICAEW)	United Kingdom
Jean	<b>Ettridge</b>	Head of International Affairs	Institute of Chartered Accountants in England and Wales (ICAEW)	United Kingdom
Neil	<b>Stevenson</b>	Executive Director - Brand	ACCA Global	United Kingdom
Noel	<b>Clehane</b>	Global Head of Regulatory and Public Policy Affairs	BDO	Belgium
Ivan	<b>Sotomayor</b>	Managing Partner	Sotomayor & Associates, LLP	United States of America
<b>National regulators / standard setters</b>				
Reto	<b>Eberle</b>	Member	Swiss GAAP FER	Switzerland
Ashraf	<b>El Sharkawy</b>	Senior Advisor of the Chair	Egyptian Financial Supervisory Authority	Egypt
Lin	<b>Zhu</b>	Deputy Director, Standards Division II Accounting Regulatory Department	Ministry of Finance	People's Republic of China
Liesel	<b>Knorr</b>	President	German Accounting Standards	Germany

			Committee	
Leonid	<b>Shneydman</b>	Director, Regulation of Public Financial Control	Ministry of Finance	Russian Federation
Damir	<b>Kaufman</b>	Director, Financial System Directorate	Ministry of Finance	Republic of Croatia
<b>Development agencies and banks</b>				
William	<b>Phelps</b>	Executive Vice President	CARANA Corporation	United States of America
<b>Academia</b>				
Nelson	<b>Carvalho</b>	Professor	University of Sao Paulo	Brazil
Malgorzata	<b>Jaruga-Baranowska</b>	Professor	Academy of Management in Lodz	Poland
Gert Hendrik	<b>Karreman</b>	Professor / Doctor	Leiden University	The Netherlands
Belverd E.	<b>Needles Jr.</b>	Professor	De Paul University	United States of America